

FEDERAL RESERVE SYSTEM

RBC Centura Bank
Rocky Mount, North Carolina

Order Approving Establishment of a Branch

RBC Centura Bank (“Bank”), a state member bank, has given notice under section 9 of the Federal Reserve Act (“Act”)¹ of its intent to establish a branch at 4221 W. Boy Scout Boulevard, Suite 190, Tampa, Florida.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.² The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the Act.

Bank is the 25th largest depository organization in Florida, controlling approximately \$1.2 billion in deposits, which represents less than 1 percent of total deposits of insured depository institutions in the state.³ Bank and its direct parent company, RBC Centura Banks, Inc., also in Rocky Mount, are wholly owned subsidiaries of Royal Bank of Canada, Montreal, Canada. Bank operates branches in North Carolina, South Carolina, Virginia, Florida, and Georgia.

Considerations Under the Federal Reserve Act

Section 9(4) of the Act⁴ requires the Board, when acting on a branch application, to consider the financial condition of the applying bank, the general

¹ 12 U.S.C. § 321 et seq.

² 12 C.F.R. 262.3(b).

³ Statewide and market deposit data and ranking data are as of June 30, 2003, and are updated to reflect subsequent merger activity as of October 22, 2004. Insured depository institutions include all insured banks, savings banks, and savings associations.

⁴ 12 U.S.C. § 322.

character of its management, and whether its corporate powers are consistent with the purposes of the Act.⁵ The Board has carefully reviewed these factors in light of all the facts of record. As part of its consideration, the Board has reviewed reports of examination and other supervisory information. Based on all the facts of record, the Board has concluded that the statutory factors are consistent with approval of the notice.⁶

Convenience and Needs Considerations

In acting on a notice to establish a branch, the Board also is required to take into account the convenience and needs of the community to be served, including the bank's record under the Community Reinvestment Act ("CRA").⁷ The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI")

⁵ Section 208.6 of the Board's Regulation H, which implements Section 9(4) of the Act, provides that the factors given special consideration by the Board in acting on branch applications include the following: (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and its future earnings prospects; (3) the convenience and needs of the community to be served by the branch; and (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act. 12 C.F.R. 208.6(b).

⁶ Section 9 of the Act, 12 U.S.C. § 321, which applies the interstate branching provisions of the National Bank Act, 12 U.S.C. § 36(e), provides that a state member bank may not establish a branch in any state other than a bank's home state, except under certain specified conditions, including when a bank has already established a branch in that state. Bank has previously established branches in Florida. See, e.g., Royal Bank of Canada/RBC Centura Banks, Inc., 89 Federal Reserve Bulletin 139 (2003).

⁷ 12 U.S.C. § 2901 et seq.; 12 C.F.R. 208.6(b).

neighborhoods, in evaluating branch applications. The Board has carefully considered the effect of the proposal on the convenience and needs of the communities served by Bank in light of all the facts of record, including a public comment received on the proposal.

A. CRA Performance Evaluation

As provided in the CRA, the Board has evaluated Bank's performance in light of evaluations by the appropriate federal supervisor of its CRA performance record. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.⁸ Bank received an overall "satisfactory" rating at its most recent CRA examination by the Federal Reserve Bank of Richmond, as of March 29, 2004, with ratings of "high satisfactory" under the lending, investment, and service tests.

B. Services and Branch Closing

The Board received a comment opposing the proposal. The commenter expressed dissatisfaction with Bank's level of service and alleged anticompetitive practices in the Rocky Mount area and asserted that Bank imposes unreasonably high service charges.⁹ Specifically, the commenter contended that Bank had closed

⁸ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

⁹ Commenter contended that after the merger of its predecessor banks to form Bank, Bank imposed additional fees and account charges and reduced its level of service. Commenter also asserted that Bank should not be allowed to expand into other markets until it reduced its service charges. Bank represented that the fees charged in connection with its banking services are reasonable and compare favorably with service fees charged by other banks. Bank also has offered to have a personal banker review the commenter's accounts to determine if other types of accounts would better serve his banking needs. Although the Board previously has

a banking office in Rocky Mount and subsequently refused to sell the closed location to a bank competitor in an effort to monopolize the local market. This branch closing allegedly resulted in inconvenience to customers for banking services.

Bank represented that as a result of the merger of its predecessor banks in 1990, Bank consolidated two branches in a shopping center in the Edgecombe County portion of the Rocky Mount, North Carolina banking market (“Rocky Mount Market”)¹⁰ into one location from which it continues to provide banking services and has retained the other location in the shopping center as a mail center and storage facility. Bank also indicated it is unaware of the attempted purchase alleged by the commenter.¹¹ Bank noted that it is the only bank that operates a branch in Edgecombe County.¹² Based on a review of these and other facts of record, the Board finds no evidence to support commenter’s contention that Bank has engaged in anticompetitive behavior in the Rocky Mount area.

recognized that banks help to serve the banking needs of their communities by making basic banking services available at a nominal or no charge, the CRA does not require that banks limit the fees charged for services. See Bank of America Corporation, 90 Federal Reserve Bulletin 217, 226 n.50 (2004).

¹⁰ The Rocky Mount Market includes Edgecombe, Nash, and Wilson Counties in North Carolina. Bank is the largest depository institution in the market, controlling \$628.4 million in deposits, which represents 29.5 percent of market deposits in insured depository institutions. The banking market is considered attractive for entry. Since 2000, three depository institutions have entered the Rocky Mount Market de novo, and three institutions have entered the market by acquisition. Twelve commercial banks and two thrifts compete in the market.

¹¹ Bank noted that it leases the location identified by the commenter and that inquiries about its purchase might have been made directly to the landlord or landlord’s representatives without the bank’s knowledge.

¹² In addition to the Oakwood Shopping Center branch, Bank operates a branch in Harambee Square, also in Edgecombe County.

Commenter also expressed dissatisfaction with Bank's level of service in the Rocky Mount area. As noted previously, Bank received an overall "satisfactory" rating in its most recent CRA evaluation, with a "high satisfactory" under the service test overall and separately in North Carolina. Examiners considered Bank's performance in its Rocky Mount assessment area under the service test to be excellent.¹³

Examiners noted that Bank's branch locations and business hours were convenient and met the needs of the Rocky Mount assessment area and that its distribution of branches within the area was good. Examiners also noted that Bank provided customers with 24-hour access to their accounts through ATMs and bank-by-computer service. In addition, examiners found the bank to be a leader in facilitating community development service projects within the Rocky Mount assessment area.

Examiners also concluded that Bank's branch closings, both overall and in North Carolina, had not adversely affected LMI neighborhoods. Examiners reported that Bank maintained a written branch closure policy that conforms with regulatory requirements.¹⁴

Based on a review of these and other facts of record, the Board finds that commenter's allegations concerning Bank's level of service and convenience of branches in the Rocky Mount area do not warrant denial of the proposal.

¹³ Bank's Rocky Mount assessment area includes Edgecombe and Nash Counties.

¹⁴ Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency with at least 90 days' notice before the date of a proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

C. Conclusion on Convenience and Needs Considerations

The Board has considered carefully the entire record as it relates to convenience and needs considerations, including the comment received, information provided by Bank, Bank's most recent CRA performance examination, and confidential supervisory information. The Board notes that the establishment of a new branch in Tampa would expand the availability of products and services to banking customers. Based on all the facts of record, the Board concludes that convenience and needs considerations, including Bank's record of performance under the CRA, are consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on Bank's compliance with all commitments made to the Board in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this notice is subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Richmond, acting under authority delegated by the Board.

By order of the Board of Governors,¹⁵ effective November 23, 2004.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

¹⁵ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.